

STATE-ONLY TAX INCENTIVES

States ... under this category provide tax relief, either through tax deductions or credits, to an employer or individual who purchases health insurance for themselves, their family, or their employees.

A tax incentive is a credit or a deduction that reduces the cost of purchasing health insurance through a reduction in an individual's or employer's tax burden. Tax credits are amounts subtracted from the income tax liability itself, unlike deductions, which merely reduce adjusted gross income or taxable income. Tax credits may be refundable or non-refundable. Most tax credits are non-refundable, meaning that if a taxpayer's credit exceeds his/her income tax liability, the taxpayer does not receive the difference as a refund. However, with a refundable tax credit, taxpayers whose credits exceed their income tax liabilities receive the difference in the form of a tax refund.

States	Effective Date(s)	Eligible Populations	Deduction or Credit	Amount
California	1/1/1999	Self-employed, spouse, dependents	Deduction	100% of premium expenditures
Colorado	5/25/00	Individual, spouse, dependents	Deduction	100% of premium expenditures, but not >\$500
Delaware	1997	Self-employed	Deduction	100% of premium expenditures
Georgia	1/1/99	Self-employed, spouse, dependents	Deduction	100% of premium expenditures
Idaho	4/18/00	Self-employed, spouse, dependents	Deduction	100% of premium expenditures
Illinois	1/1/96 - 12/31/04	Self-employed, spouse, dependents	Deduction	100% of premium expenditures
Iowa	1/1/96	Individual, spouse, dependents	Deduction	100% of premium expenditures
Kansas	1/1/00 - 12/31/01	Small employers	Credit (refundable)	\$35 per eligible employee per month
Maine	1999	Small employers with <5 low-income employees	Credit	Lower of: \$125 per employee with dependent coverage; or 20% of dependent premiums

Missouri	1/1/00	Employee (determined by 401(c)1) IRC '86), spouse, dependents	Deduction	100% of premium expenditures
New Jersey	1/1/00	Self-employed, spouse, dependents	Deduction	100% of premium expenditures
New Mexico	4/12/00	Individual, spouse, dependents	Deduction	Surviving spouses/ Married individuals: 25% of medical care expenses including premium expenditures (annual income <\$30,000); 15% (\$30,000 - \$70,000); 10% (>\$70,000). <i>Single individuals/Married individuals filing separate returns:</i> 25% (<\$15,000); 15% (\$15,000 - \$35,000); 10% (>\$35,000). <i>Heads of Households:</i> 25% (<\$20,000); 15% (\$20,000 - \$50,000); 10% (>\$50,000).
North Carolina	5/7/98 (enacted)	Individual, spouse, dependents	Credit (refundable)	\$300 (<225% FPL) \$100 (>225% FPL)
Utah	1/1/00	Individual	Deduction	100% of premium expenditures
Wisconsin	1993	Self-employed workers, spouse, dependents	Deduction	100% of premium expenditures
		Employer without employer coverage, spouse dependents	Deduction	50% of premium expenditures